



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

December 9, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Wilton, Iowa.

The City's receipts totaled \$5,573,873 for the year ended June 30, 2010, a 19.9 percent increase over the prior year. The receipts included \$978,591 from charges for service, \$392,029 from operating grants, contributions and restricted interest, \$2,004,962 from capital grants, contributions and restricted interest, \$1,061,913 in property tax, \$291,838 from local option sales tax, \$71,865 from unrestricted interest on investments, \$26,675 from other general receipts and \$746,000 from note and loan proceeds. The significant increase in receipts is due primarily to donations received to build the new library and community center building.

Disbursements for the year totaled \$6,123,743, a 45.1 percent increase over the prior year, and included \$437,224 for public safety, \$408,378 for public works and \$2,661,986 for capital projects. Disbursements for business type activities totaled \$1,424,374. The increase in disbursements is due primarily to the construction of the library and community center building during fiscal year 2010.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0657-B00F.pdf>.

# # #

**CITY OF WILTON**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

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**City of Wilton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Carol J. Wade	Mayor	Jan 2010
Richard L. Garrison	Mayor Pro tem	Jan 2012
Keith Stanley	Council Member	Jan 2010
Bob Barrett	Council Member	Jan 2010
Ira Bowman	Council Member	Jan 2012
Matt Fowler	Council Member	Jan 2012
Mark Anderson	Administrator	Indefinite
Lori A. Brown	Clerk/Treasurer	Indefinite
Gerald Denning	Attorney	Indefinite
<b>(After January 2010)</b>		
Ira Bowman	Mayor	Jan 2012
Richard L Garrison	Mayor Pro tem	Jan 2012
Ira Bowman	Council Member	(Resigned Jan 2010)
Steve Owens (Appointed Feb 2010)	Council Member	Jan 2012
Matt Fowler	Council Member	Jan 2012
Keith Stanley	Council Member	Jan 2014
Bob Barrett	Council Member	Jan 2014
Mark Anderson	Administrator	(Resigned June 2010)
Richard Wardenburg	Interim Administrator	Indefinite
Lori A. Brown	Clerk/Treasurer	Indefinite
Gerald Denning	Attorney	Indefinite

**City of Wilton**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Wilton's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wilton Municipal Light and Power System, a discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us. Our opinion, insofar as it relates to the condensed financial information included in Note 12 for the discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditor provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

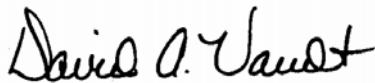
As described in Note 12, the City has chosen to present condensed financial information for the Wilton Municipal Light and Power System, a discretely presented component unit, since complete financial statements of the component unit have been audited by another auditor and are available from the component unit. The report of the other auditor, dated October 25, 2010, expressed an unqualified opinion on the financial statements.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

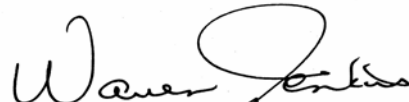
In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2010 on our consideration of the City of Wilton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wilton's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 25, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Wilton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 118.3%, or approximately \$2,023,000, from fiscal year 2009 to fiscal year 2010. The increase in receipts was primarily due to donations and grants collected for the library and community center building project.
- Disbursements of the City's governmental activities increased 109.9%, or approximately \$2,461,000, from fiscal year 2009 to fiscal year 2010. The increase in disbursements was primarily due to the library and community center building project.
- The City's total cash basis net assets decreased 15.1%, or approximately \$550,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$52,000 and the assets of the business type activities decreased approximately \$602,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's long-term debt.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.



## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer and refuse collection systems. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains separate Enterprise Funds to provide separate information for the Water, Sewer and Garbage Funds, considered to be major funds of the City.

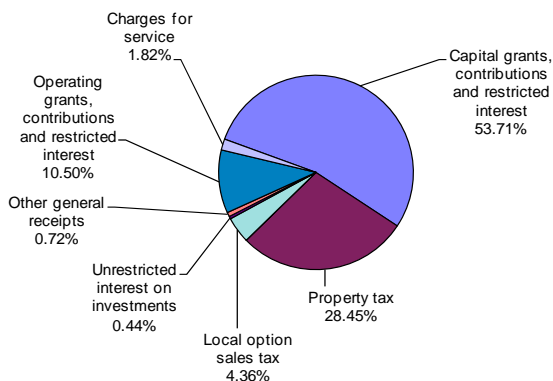
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

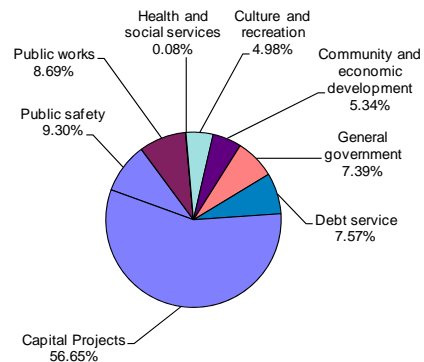
Net assets may serve over time as a useful indicator of financial position. The City's cash basis net assets for governmental activities increased from a year ago, increasing \$51,765 to \$1,290,514. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 67,757	71,319
Operating grants, contributions and restricted interest	392,029	362,634
Capital grants, contributions and restricted interest	2,004,962	15,361
General receipts:		
Property tax	1,061,913	1,020,222
Tax increment financing	-	17,921
Local option sales tax	162,885	170,488
Unrestricted interest on investments	16,550	22,106
Other general receipts	26,675	30,069
Total receipts	3,732,771	1,710,120
Disbursements:		
Public safety	437,224	720,529
Public works	408,378	385,730
Health and social services	4,062	4,463
Culture and recreation	233,911	256,883
Community and economic development	250,821	183,223
General government	347,337	328,212
Debt service	355,650	359,467
Capital projects	2,661,986	-
Total disbursements	4,699,369	2,238,507
Change in cash basis net assets before transfers and note and loan proceeds	(966,598)	(528,387)
Transfers, net	272,363	(87,898)
Note and loan proceeds	746,000	606,385
Change in cash basis net assets	51,765	(9,900)
Cash basis net assets beginning of year	1,238,749	1,248,649
Cash basis net assets end of year	\$1,290,514	1,238,749

Receipts by Source



Disbursements by Function



Total governmental activities receipts for the fiscal year were \$3,732,771 compared to \$1,710,120 last year. The cost of all governmental activities this year was \$4,699,369 compared to \$2,238,507 last year. The increase in receipts was due to the City receiving a Vision Iowa Grant and collecting donations for the library and community center building project. The increase in disbursements was primarily the result of the construction of the library and community center building. Disbursements in the public safety function decreased due to fiscal year 2009 purchases of public safety equipment, including a fire truck pumper.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Water	\$ 297,147	292,511
Sewer	283,119	288,575
Garbage	269,357	232,278
Electric utility sales tax	61,211	55,463
General receipts:		
Local option sales tax	128,953	170,488
Unrestricted interest on investments	55,315	93,426
Total receipts	1,095,102	1,132,741
Disbursements:		
Water	442,587	1,272,905
Sewer	574,331	339,563
Garbage	345,743	308,082
Electric utility sales tax	61,713	60,884
Total disbursements	1,424,374	1,981,434
Change in cash basis net assets before transfers and note proceeds	(329,272)	(848,693)
Transfers, net	(272,363)	87,898
Note proceeds	-	1,200,000
Change in cash basis net assets	(601,635)	439,205
Cash basis net assets beginning of year	2,395,872	1,956,667
Cash basis net assets end of year	\$ 1,794,237	2,395,872

Total business type activities receipts for the fiscal year were \$1,095,102 compared to \$1,132,741 last year, a decrease of \$37,639, or 3.3%. Total disbursements were \$1,424,374 compared to \$1,981,434 in the prior year, a decrease of \$557,060, or 28.1%. The decrease in receipts is primarily due to the City collecting less local option sales tax and earning less interest during fiscal year 2010. The decrease in disbursements was due to the City water tower project being primarily completed during fiscal year 2009.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wilton completed the year, its governmental funds reported a combined fund balance of \$1,290,514, an increase of \$51,765 from last year's total of \$1,238,749. The following are the reasons for significant changes in cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$13,998, or 2.9%, over the prior year to \$502,155. While receipts increased only 1.6%, disbursements decreased 22%, primarily due to decreased spending in the public safety function. During fiscal year 2009, the City purchased a fire truck pumper, a pick-up truck and a used police vehicle. The increase in receipts was due to an increase in property tax collections during the current year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$4,178, or 6.1%, over the prior year to \$72,313. Road use tax receipts increased 10.8% while disbursements decreased 13.5%, primarily due to fewer street projects during fiscal year 2010.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$78,060 from the prior year. Receipts decreased \$18,666 in fiscal year 2010 while disbursements increased \$70,858. The City requested no tax increment financing (TIF) receipts during the year. Instead, cash on hand was utilized to pay TIF obligations to reduce the fund balance. Disbursements increased during the fiscal

year due to two economic development grants provided, one to the Wilton Development Corporation and one to a local company.

- The Debt Service Fund cash balance increased \$24,533, or 5.5%, over the prior year. Receipts decreased approximately \$11,800, due primarily to a decrease in property tax collections, and bond principal and interest payments decreased \$3,817, or 1.1%, in fiscal year 2010.
- The Capital Projects Fund cash balance was \$70,208 at the end of fiscal year 2010. The Capital Projects Fund was established during the year to account for the library and community center building project.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The following are the reasons for significant changes in cash balances of the major business type funds from the prior year.

- The Water Fund cash balance decreased \$181,537 to \$857,529, due primarily to completion of the water tower project. The majority of disbursements for this project were incurred and paid in fiscal year 2009.
- The Sewer Fund cash balance decreased \$329,687 to \$751,923, due primarily to a \$171,000 interfund loan to the Special Revenue, Urban Renewal Tax Increment Fund to provide cash flow to help cover rebate and economic development agreement payments during the year. Additionally, the City had increased disbursements related to sewer plant repair.
- The Garbage Fund cash balance decreased \$89,909 to \$199,050, due primarily to the purchase of a new baler for the recycling plant in fiscal year 2010.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on June 14, 2010 and resulted in an increase in operating disbursements, primarily related to cost overruns in the community and economic development function associated with TIF rebate agreements, the capital projects function due to the library and community center building project and the business type activities function associated with sewer and recycling plant repair. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$1,408,917 more than budgeted. This was due primarily to approximately \$1,500,000 collected in donations for the library and community center building project not included in the original or amended budget.

Total disbursements were \$384,939 less than the amended budget. Actual disbursements for the capital projects function were \$138,014 less than the amended budget due to fewer disbursements related to the library and community center building project than expected for fiscal year 2010. The actual disbursements for the business type activities function were \$265,024 less than the amended budget. This was primarily due to the City budgeting for water main and sewer projects which were not completed during the year.

During the year ended June 30, 2010, disbursements in the public safety, debt service, capital projects and business type activities functions exceeded amounts budgeted prior to the June 14, 2010 budget amendment. At June 30, 2010, disbursements in the public safety and general government functions exceeded the amounts budgeted.

## DEBT ADMINISTRATION

At June 30, 2010, the City had \$5,686,000 in bonds, notes and loans outstanding, compared to \$5,307,000 of bonds and notes outstanding last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation refunding bonds	\$ 2,765,000	3,000,000
Revenue bonds and notes	2,175,000	2,307,000
Anticipation project notes	650,000	-
Eastern Iowa Light and Power Cooperative loan	96,000	-
Total	\$ 5,686,000	5,307,000

During the year ended June 30, 2010, the City received a \$96,000 loan from the Eastern Iowa Light and Power Cooperative revolving loan fund. Additionally, the City entered into two project anticipation notes. The first was a General Fund loan agreement anticipation project note for up to \$1,300,000 and the second was a special pledge revenue loan agreement anticipation project note for up to \$1,300,000, both to help fund the library and community center building project. At June 30, 2010 the library and community center building project was still underway and, accordingly, the final loan amounts for the project anticipation notes have not been determined.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,186,000, plus tax increment financing rebate and economic development agreements of \$485,614 and \$80,000, respectively, and net of cash on hand to service this debt of \$499,650, totals \$3,251,964 and is significantly below the City's constitutional debt limit of approximately \$7,097,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Wilton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget. The Wilton City Council has always tried to keep a steady tax rate. However, with the new library and community center coming on line, we are at the statutory limit of \$8.10 per \$1,000 of taxable valuation for the fiscal year 2011 budget. The Wilton community and City Council have been very aggressive in attracting new businesses and industry into Wilton and we believe this will produce results in the near future.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Administrator at Wilton City Hall, 104 E 4<sup>th</sup> Street, PO Box 27, Wilton, Iowa, 52778, or by phone at (563) 732-2115.

## **Basic Financial Statements**

City of Wilton

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 437,224	14,475	88,303	-
Public works	408,378	4,864	267,127	-
Health and social services	4,062	-	-	-
Culture and recreation	233,911	15,044	29,729	-
Community and economic development	250,821	660	-	-
General government	347,337	32,714	-	-
Debt service	355,650	-	6,870	12,123
Capital projects	2,661,986	-	-	1,992,839
Total governmental activities	4,699,369	67,757	392,029	2,004,962
Business type activities:				
Water	442,587	297,147	-	-
Sewer	574,331	283,119	-	-
Garbage	345,743	269,357	-	-
Electric utility sales tax	61,713	61,211	-	-
Total business type activities	1,424,374	910,834	-	-
Total primary government	\$ 6,123,743	978,591	392,029	2,004,962
<b>Component Unit:</b>				
Wilton Library Foundation	\$ 72	-	5,020	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Note and loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Urban renewal purposes				
Streets				
Debt service				
Water and sewer improvements				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Governmental Activities	Business Type Activities	Total	Wilton Library Foundation
(334,446)	-	(334,446)	-
(136,387)	-	(136,387)	-
(4,062)	-	(4,062)	-
(189,138)	-	(189,138)	-
(250,161)	-	(250,161)	-
(314,623)	-	(314,623)	-
(336,657)	-	(336,657)	-
(669,147)	-	(669,147)	-
(2,234,621)	-	(2,234,621)	-
-	(145,440)	(145,440)	-
-	(291,212)	(291,212)	-
-	(76,386)	(76,386)	-
-	(502)	(502)	-
-	(513,540)	(513,540)	-
(2,234,621)	(513,540)	(1,721,081)	-
-	-	-	4,948
\$ 700,243	-	700,243	-
361,670	-	361,670	-
162,885	128,953	291,838	-
16,550	55,315	71,865	4,488
746,000	-	746,000	-
26,675	-	26,675	-
272,363	(272,363)	-	-
2,286,386	(88,095)	2,198,291	4,488
51,765	(601,635)	(549,870)	9,436
1,238,749	2,395,872	3,634,621	108,754
\$ 1,290,514	1,794,237	3,084,751	118,190
\$ 30,132	-	30,132	-
72,313	-	72,313	-
469,518	274,924	744,442	-
-	496,780	496,780	-
70,208	-	70,208	-
146,188	47,265	193,453	-
502,155	975,268	1,477,423	118,190
\$ 1,290,514	1,794,237	3,084,751	118,190



City of Wilton

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2010

		Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
	General		
Receipts:			
Property tax	\$ 569,245	-	-
Other city tax	150,942	-	-
Licenses and permits	33,374	-	-
Use of money and property	22,407	-	431
Intergovernmental	93,472	266,608	-
Charges for service	14,118	-	-
Special assessments	-	-	-
Miscellaneous	21,659	519	-
Total receipts	905,217	267,127	431
Disbursements:			
Operating:			
Public safety	373,707	-	-
Public works	102,309	222,549	-
Health and social services	4,062	-	-
Culture and recreation	225,942	-	-
Community and economic development	1,330	-	249,491
General government	312,933	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,020,283	222,549	249,491
Excess (deficiency) of receipts over (under) disbursements	(115,066)	44,578	(249,060)
Other financing sources (uses):			
Note and loan proceeds	-	-	-
Operating transfers in	129,064	-	171,000
Operating transfers out	-	(40,400)	-
Total other financing sources (uses)	129,064	(40,400)	171,000
Net change in cash balances	13,998	4,178	(78,060)
Cash balances beginning of year	488,157	68,135	108,192
Cash balances end of year	\$ 502,155	72,313	30,132
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	502,155	-	-
Special revenue funds	-	72,313	30,132
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 502,155	72,313	30,132

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
356,006	-	120,095	1,045,346
5,664	-	22,846	179,452
-	-	-	33,374
6,391	147	1,660	31,036
-	436,841	-	796,921
-	-	-	14,118
12,122	-	-	12,122
-	1,555,851	42,373	1,620,402
380,183	1,992,839	186,974	3,732,771
-	-	63,517	437,224
-	-	83,520	408,378
-	-	-	4,062
-	-	7,969	233,911
-	-	-	250,821
-	-	34,404	347,337
355,650	-	-	355,650
-	2,661,986	-	2,661,986
355,650	2,661,986	189,410	4,699,369
24,533	(669,147)	(2,436)	(966,598)
-	746,000	-	746,000
-	-	40,400	340,464
-	(6,645)	(21,056)	(68,101)
-	739,355	19,344	1,018,363
24,533	70,208	16,908	51,765
444,985	-	129,280	1,238,749
469,518	70,208	146,188	1,290,514
469,518	-	-	469,518
-	-	-	502,155
-	-	146,188	248,633
-	70,208	-	70,208
469,518	70,208	146,188	1,290,514

**Exhibit C**

## City of Wilton

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise				Total
	Water	Sewer	Garbage	Nonmajor	
				Electric Utility Sales Tax	
Operating receipts:					
Charges for service	\$ 287,298	283,119	269,357	61,211	900,985
Miscellaneous	9,849	-	-	-	9,849
Total operating receipts	297,147	283,119	269,357	61,211	910,834
Operating disbursements:					
Business type activities	200,833	302,886	240,577	61,713	806,009
Excess (deficiency) of operating receipts over (under) operating disbursements	96,314	(19,767)	28,780	(502)	104,825
Non-operating receipts (disbursements):					
Other city tax	-	128,953	-	-	128,953
Interest on investments	28,257	19,581	7,477	-	55,315
Acquisition of capital assets	(150,203)	(139,711)	(105,166)	-	(395,080)
Debt service	(91,551)	(131,734)	-	-	(223,285)
Net non-operating receipts (disbursements)	(213,497)	(122,911)	(97,689)	-	(434,097)
Deficiency of receipts under disbursements	(117,183)	(142,678)	(68,909)	(502)	(329,272)
Transfers:					
Operating transfers in	-	16,991	-	-	16,991
Operating transfers out	(64,354)	(204,000)	(21,000)	-	(289,354)
Total transfers	(64,354)	(187,009)	(21,000)	-	(272,363)
Net change in cash balances	(181,537)	(329,687)	(89,909)	(502)	(601,635)
Cash balances beginning of year	1,039,066	1,081,610	288,959	(13,763)	2,395,872
Cash balances end of year	\$ 857,529	751,923	199,050	(14,265)	1,794,237
<b>Cash Basis Fund Balances</b>					
Reserved for:					
Debt service	\$ 212,011	62,913	-	-	274,924
Water and sewer improvements	6,938	489,842	-	-	496,780
Customer deposits	47,265	-	-	-	47,265
Unreserved	591,315	199,168	199,050	(14,265)	975,268
Total cash basis fund balances	\$ 857,529	751,923	199,050	(14,265)	1,794,237

See notes to financial statements.

City of Wilton

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

The City of Wilton is a political subdivision of the State of Iowa located in Cedar and Muscatine Counties. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Wilton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements include the City of Wilton (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Blended Component Units**

The Friends of the Wilton Public Library and the Wilton Volunteer Fire Department are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended as Special Revenue Funds of the City.

**Discretely Presented Component Units**

The Wilton Library Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, scientific and educational purposes for the enhancement and improvement of the Wilton Public Library. In accordance with criteria set by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Foundation are substantially for the direct benefit of the City of Wilton Library.

The Wilton Municipal Light and Power System (System) was established under Chapter 388 of the Code of Iowa to operate the City's electric utility. The System is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set by the Governmental Accounting

Standards Board, the System meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 12 were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements can be obtained from the Wilton Municipal Light and Power System, 220 W. 3rd Street, Wilton, Iowa 52778.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards: Cedar and Muscatine County Assessor's Conference Boards, E911 Joint Service Board, Muscatine County Solid Waste Management Agency and Cedar County Solid Waste Commission.

#### B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements in the public safety, debt service, capital projects and business type activities functions exceeded amounts budgeted prior to the June 14, 2010 budget amendment. At June 30, 2010, disbursements in the public safety and general government functions exceeded the amounts budgeted.

## (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

## (3) Bonds and Note Payable

### General Obligation Refunding Bonds, Sewer Revenue Bonds and Water Revenue Note

Annual debt service requirements to maturity for general obligation refunding, sewer revenue bonds and water revenue note are as follows:

Year Ending June 30,	General Obligation Refunding Bonds		Sewer Revenue Bonds		Water Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	240,000	112,255	89,000	31,980	47,000	44,347	376,000	188,582
2012	245,000	104,078	93,000	29,310	49,000	42,581	387,000	175,969
2013	245,000	95,110	96,000	26,520	50,000	40,743	391,000	162,373
2014	255,000	85,800	100,000	23,640	52,000	38,833	407,000	148,273
2015	270,000	75,855	104,000	20,640	53,000	36,847	427,000	133,342
2016-2020	1,510,000	203,575	584,000	53,910	292,000	151,565	2,386,000	409,050
2021-2025	-	-	-	-	338,000	88,622	338,000	88,622
2026-2028	-	-	-	-	228,000	17,435	228,000	17,435
Total	\$ 2,765,000	676,673	1,066,000	186,000	1,109,000	460,973	4,940,000	862,673

### Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,794,000 of sewer revenue bonds issued in December 1999. Proceeds from the bonds provided financing for the construction of improvements and extensions to the sanitary sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2020. Annual principal and interest payments on the bonds require more than 100% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,252,000. For the current year, principal and interest paid and total customer net receipts were \$131,158 and (\$19,767), respectively.

The resolution providing for the issuance of the sewer revenue bonds issued under a loan agreement between the City of Wilton, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. includes the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

- (3) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

Pursuant to action taken by the Iowa Finance Authority, the interest rate on the sewer revenue bonds was reduced from 3.92% to 3.00% per annum, effective June 1, 2010.

The City's net revenues for the year ended June 30, 2010 were less than the required 110% of principal and interest on bonds falling due during the year.

#### Water Revenue Note

The City has pledged future water customer receipts, net of specified operating disbursements, to repay a \$1,200,000 water revenue note issued in July 2008. Proceeds from the note provided financing for the construction of improvements and extensions to the municipal waterworks system. The note is payable solely from water customer net receipts and is payable through 2028. Annual principal and interest payments on the note required 95% of net receipts. The total principal and interest remaining to be paid on the note is \$1,569,973. For the current year, principal and interest paid and total customer net receipts were \$91,551 and \$96,314, respectively.

The resolution providing for the issuance of the water revenue note issued under a loan agreement between the City of Wilton and Community Bank, Wilton, IA includes the following provisions:

- (1) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (2) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.

The City's net revenues for the year ended June 30, 2010 were less than the required 110% of note principal and interest falling due during the year.

#### Anticipation Project Notes

On March 1, 2010, the City entered into two anticipation project notes with Community Bank, Wilton, Iowa. The first was a General Fund loan agreement anticipation project note for up to \$1,300,000 to be used for the purpose of paying costs in connection with constructing, furnishing and equipping the City's library and community center building project. The note was issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and is payable from the proceeds of an authorized loan agreement and a corresponding issuance of general obligation library and community center notes in a principal amount not to exceed \$1,300,000. At June 30, 2010, the City had drawn \$325,000 against the anticipation project note.

The second was a special pledge revenue loan agreement anticipation project note for up to \$1,300,000 to be used for the purpose of paying costs in connection with constructing, furnishing and equipping the City's library and community center building project. The note was issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and is payable solely and from future proceeds of an authorized loan agreement and a corresponding issuance of special pledge revenue notes in a principal amount not to exceed \$1,300,000. The future notes are payable solely from revenues pledged and collected by the Wilton Community Foundation, Inc. At June 30, 2010, the City had drawn \$325,000 against the anticipation project note.



#### Eastern Iowa Light and Power Cooperative Loan

On May 10, 2010, the City entered into a loan agreement with Eastern Iowa Light and Power Cooperative for \$96,000 to assist in financing the construction of a new library and community center for the City. The loan is interest free and requires four annual payments of \$24,000, beginning May 1, 2012. The City plans to repay the loan through the General Fund.

#### **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$54,497, \$50,235 and \$45,138, respectively, equal to the required contributions for each year.

#### **(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees, primarily relating to the General Fund, totaled approximately \$29,000 at June 30, 2010. This liability has been computed based on rates of pay in effect at June 30, 2010.

#### **(6) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 16 active and 1 retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$390 for single coverage and \$1,191 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$145,933 and plan members eligible for benefits contributed \$36,483 to the plan.

#### **(7) Industrial Development Revenue Bonds**

The City has issued a total of \$5,900,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$2,099,949 is outstanding at June 30, 2010. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

## **(8) Urban Renewal Project Rebate and Economic Development Agreements**

### Rebate Agreements

The City has entered into nine tax increment financing agreements. The City has agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of years determined by each agreement, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The agreements end by fiscal year 2026. The total amount that will be rebated in any fiscal year for the tax increment financing agreements is based on the assessed value of the land and buildings less the frozen property values times the property tax values for the City, Muscatine County and the Wilton Community School District, less the portion attributable to debt service for that year. The total amount rebated during the year ended June 30, 2010 was \$194,920. The total cumulative amount rebated since inception of the agreements is \$1,250,983. The estimated outstanding principal balance of the rebate agreements at June 30, 2010 is approximately \$871,000.

### Economic Development Agreements

On August 10, 2009, the City entered into an agreement with the Wilton Development Corporation to provide the Corporation a \$90,000 grant to carry out economic development activities within the City's urban renewal area. The grant is to be annually appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa and paid to the Corporation in semi-annual installments of \$15,000 over a three year period. At June 30, 2010, the City had paid \$35,000 under the agreement, leaving a balance of \$55,000.

On November 23, 2009, the City entered into an agreement with Stanton Construction Company to provide a \$50,000 economic development grant to the Company in return for certain improvements set forth in the urban renewal plan. The grant was provided through a Council approved interfund loan from the Enterprise, Sewer Fund to the Special Revenue, Urban Renewal Tax Increment Fund, which will be repaid from incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa.

The above agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

Five of the eleven agreements described above include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining six agreements do not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of these agreements is subject to the constitutional debt limitation.

## **(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 4,065
	Capital Projects	6,645
	Enterprise:	
	Water	64,354
	Sewer	33,000
	Garbage	21,000
		<u>129,064</u>
Special Revenue:	Enterprise:	
Urban Renewal Tax Increment	Sewer	171,000
Road Equipment Reserve	Special Revenue:	
	Road Use Tax	40,400
Enterprise:	Special Revenue:	
Sewer	Local Option Sales Tax	16,991
<b>Total</b>		<u><u>\$ 357,455</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(11) Joint Venture**

The City is a party to an agreement with the Wilton Community School District pursuant to Chapter 28E of the Code of Iowa to operate a public swimming pool. The pool was constructed by the District upon land donated by the City. The agreement established a separate entity known as the Recreational Swim Program governed by a five-member Board of Trustees, of whom two are appointed by the City, two are appointed by the District and one is appointed by the other four members. Operating expenses are shared equally by the City and the District.

Selected unaudited information for the Wilton Community School District Swimming Pool for the year ended June 30, 2010 is as follows:

Receipts	\$ 153,674
Disbursements	<u>146,152</u>
Receipts over disbursements	7,522
Cash and investments at July 1, 2009	<u>5,224</u>
Cash and investments at June 30, 2010	<u><u>\$ 12,746</u></u>

The financial statements for the swimming pool can be obtained from the Wilton Community School District.

**(12) Wilton Municipal Light and Power System**

The Wilton Municipal Light and Power System (System) provides electric service for the City. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for this discretely presented component unit. Following is the condensed financial information for the System for the year ended June 30, 2010.

Condensed Statement of Net Assets	
<b>Assets</b>	
Current assets	\$ 2,070,714
Capital assets, net of accumulated depreciation	3,365,494
Other	4,483
<b>Total assets</b>	<b>5,440,691</b>
<b>Liabilities</b>	
Long-term debt	758,240
Other liabilities	213,364
<b>Total liabilities</b>	<b>971,604</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	2,607,254
Restricted	334,932
Unrestricted	1,526,901
<b>Total net assets</b>	<b>\$ 4,469,087</b>

Condensed Statement of Revenues, Expenses and Changes in Net Assets	
Operating revenues:	
Electric sales	\$ 2,402,483
Other electric revenue	50,688
Other	5,879
Total operating revenues	2,459,050
Operating expenses:	
Production - power costs	\$ 1,609,952
Transmission and distribution	377,983
General and administrative	299,020
Operating income	172,095
Non-operating revenues (expenses):	
Interest income	23,622
Interest expense	(44,556)
Loss on disposition of assets	(23,980)
Total non-operating revenues (expenses)	(44,914)
Net income	127,181
Net assets beginning of year	4,341,906
Net assets end of year	\$ 4,469,087

**(13) Construction Contracts**

During the year ended June 30, 2010, the City entered into a construction contract to build a library and community center building. Unpaid contract commitments as of June 30, 2010 totaled \$699,594 and will be paid as work on the project progresses. The project was funded through a Vision Iowa Grant, donations pledged and collected by the Wilton Community Foundation and two project anticipation notes. At June 30, 2010, the Foundation is holding approximately \$7,000 of funds pledged for the project.

**City of Wilton**

### **Required Supplementary Information**

City of Wilton

Budgetary Comparison Schedule  
of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 1,045,346	-	-	1,045,346
Tax increment financing	-	-	-	-
Other city tax	179,452	128,953	-	308,405
Licenses and permits	33,374	-	-	33,374
Use of money and property	31,036	55,315	254	86,097
Intergovernmental	796,921	-	-	796,921
Charges for service	14,118	900,985	-	915,103
Special assessments	12,122	-	-	12,122
Miscellaneous	1,620,402	9,849	19,402	1,610,849
Total receipts	3,732,771	1,095,102	19,656	4,808,217
Disbursements:				
Public safety	437,224	-	13,525	423,699
Public works	408,378	-	-	408,378
Health and social services	4,062	-	-	4,062
Culture and recreation	233,911	-	1,264	232,647
Community and economic development	250,821	-	-	250,821
General government	347,337	-	-	347,337
Debt service	355,650	-	-	355,650
Capital projects	2,661,986	-	-	2,661,986
Business type activities	-	1,424,374	-	1,424,374
Total disbursements	4,699,369	1,424,374	14,789	6,108,954
Excess (deficiency) of receipts over (under) disbursements	(966,598)	(329,272)	4,867	(1,300,737)
Other financing sources (uses), net	1,018,363	(272,363)	-	746,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	51,765	(601,635)	4,867	(554,737)
Balances beginning of year	1,238,749	2,395,872	22,531	3,612,090
Balances end of year	\$ 1,290,514	1,794,237	27,398	3,057,353

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total Variance
1,027,970	1,027,970	17,376
45,007	134,580	(134,580)
157,197	167,200	141,205
4,950	4,950	28,424
54,800	100,800	(14,703)
464,000	874,000	(77,079)
1,018,134	1,023,500	(108,397)
21,300	21,300	(9,178)
40,575	45,000	1,565,849
2,833,933	3,399,300	1,408,917
374,036	374,036	(49,663)
422,000	422,000	13,622
4,262	4,262	200
250,274	250,274	17,627
163,712	253,280	2,459
344,993	344,993	(2,344)
355,650	355,650	-
-	2,800,000	138,014
1,274,398	1,689,398	265,024
3,189,325	6,493,893	384,939
(355,392)	(3,094,593)	1,793,856
54,498	2,700,000	(1,954,000)
(300,894)	(394,593)	(160,144)
2,967,203	-	3,612,090
2,666,309	(394,593)	3,451,946

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City of Wilton

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended and discretely presented component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,304,568. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements in the public safety, debt service, capital projects and business type activities functions exceeded amounts budgeted prior to the June 14, 2010 budget amendment. At June 30, 2010, disbursements in the public safety and general government functions exceeded the amounts budgeted.

### **Other Supplementary Information**

City of Wilton

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

				Special
	Group	Local Option	Road	Friends of
	Health	Sales Tax	Equipment	the Wilton
	Insurance		Reserve	Public
				Library
Receipts:				
Property tax	\$ 120,095	-	-	-
Other city tax	1,839	21,007	-	-
Use of money and property	1,357	49	-	242
Miscellaneous	22,971	-	-	9,402
Total receipts	146,262	21,056	-	9,644
Disbursements:				
Operating:				
Public safety	49,992	-	-	-
Public works	43,115	-	40,405	-
Culture and recreation	6,705	-	-	1,264
General government	34,404	-	-	-
Total disbursements	134,216		40,405	1,264
Excess (deficiency) of receipts over (under) disbursements	12,046	21,056	(40,405)	8,380
Other financing sources (uses):				
Operating transfers in	-	-	40,400	-
Operating transfers out	-	(21,056)	-	-
Total other financing sources (uses):	-	(21,056)	40,400	-
Net change in cash balances	12,046	-	(5)	8,380
Cash balances beginning of year	106,577	-	172	17,230
Cash balances end of year	\$ 118,623	-	167	25,610
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 118,623	-	167	25,610

See accompanying independent auditor's report.

Revenue	
Wilton	
Volunteer	
Fire	
Department	Total
-	120,095
-	22,846
12	1,660
10,000	42,373
10,012	186,974

13,525	63,517
-	83,520
-	7,969
-	34,404
13,525	189,410

(3,513)	(2,436)
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-	40,400
-	(21,056)
-	19,344

(3,513)	16,908
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5,301	129,280
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1,788	146,188
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1,788	146,188
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City of Wilton  
Schedule of Indebtedness  
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
General obligation refunding bonds	Sep 15, 2005	3.40-4.50%	\$ 2,620,000
General obligation refunding bonds	Jul 30, 2008	3.00-3.55%	615,000
Total			
Sewer revenue bonds	Dec 13, 1999	3.00%	\$ 1,794,000
Water revenue note	Jul 7, 2008	3.94%	\$ 1,200,000
General fund anticipation project note	March 1, 2010	3.50%	\$ 325,000
Special pledge revenue loan anticipation project note	March 1, 2010	3.50%	\$ 325,000
Eastern Iowa Light and Power Cooperative loan	May 10, 2010	0%	\$ 96,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,570,000	-	55,000	2,515,000	105,675
430,000	-	180,000	250,000	14,175
\$ 3,000,000	-	235,000	2,765,000	119,850
1,152,000	-	86,000	1,066,000	45,158
1,155,000	-	46,000	1,109,000	45,551
-	325,000	-	325,000	-
-	325,000	-	325,000	-
-	96,000	-	96,000	-

**Schedule 3**

City of Wilton  
Bond and Note Maturities  
June 30, 2010

Year Ending June 30,	General Obligation Refunding Bonds					Revenue Bonds		Revenue Note	
	Series 2005		Series 2008		Total	Sewer		Water	
	Issued Sep 15, 2005		Issued Jul 30, 2008			Issued Dec 13, 1999		Issued Jul 7, 2008	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	Interest Rates	Amount
2011	3.60%	\$ 55,000	3.35%	\$ 185,000	240,000	3.00%	\$ 89,000	3.94%	\$ 47,000
2012	3.70	180,000	3.55	65,000	245,000	3.00	93,000	3.94	49,000
2013	3.80	245,000		-	245,000	3.00	96,000	3.94	50,000
2014	3.90	255,000		-	255,000	3.00	100,000	3.94	52,000
2015	4.00	270,000		-	270,000	3.00	104,000	3.94	53,000
2016	4.10	280,000		-	280,000	3.00	108,000	3.94	55,000
2017	4.20	285,000		-	285,000	3.00	112,000	3.94	57,000
2018	4.30	305,000		-	305,000	3.00	117,000	3.94	58,000
2019	4.40	310,000		-	310,000	3.00	121,000	3.94	60,000
2020	4.50	330,000		-	330,000	3.00	126,000	3.94	62,000
2021		-		-	-		-	3.94	64,000
2022		-		-	-		-	3.94	66,000
2023		-		-	-		-	3.94	67,000
2024		-		-	-		-	3.94	69,000
2025		-		-	-		-	3.94	72,000
2026		-		-	-		-	3.94	74,000
2027		-		-	-		-	3.94	76,000
2028		-		-	-		-	3.94	78,000
Total		\$ 2,515,000		\$ 250,000	2,765,000		\$1,066,000		\$ 1,109,000

See accompanying independent auditor's report.

## City of Wilton

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Eight Years

	2010	2009	2008	2007	2006	2005	2004	2003
Receipts:								
Property tax	\$ 1,045,346	1,003,589	927,919	1,014,582	982,361	976,515	902,414	985,518
Tax increment financing	-	17,921	123,703	147,003	141,591	122,677	506,339	343,281
Other city tax	179,452	187,122	167,839	190,298	177,478	165,013	175,378	155,248
Licenses and permits	33,374	29,705	27,575	5,053	5,328	5,646	4,947	5,492
Use of money and property	31,036	37,645	144,468	147,939	101,118	22,601	30,154	38,662
Intergovernmental	796,921	324,066	340,477	302,460	311,113	358,111	337,080	371,073
Charges for service	14,118	22,264	14,806	24,311	14,576	24,041	14,456	10,201
Special assessments	12,122	15,361	18,039	24,775	28,580	50,173	39,907	80,406
Miscellaneous	1,620,402	72,447	99,139	72,752	109,211	93,895	78,443	63,392
Total	<u>\$ 3,732,771</u>	<u>1,710,120</u>	<u>1,863,965</u>	<u>1,929,173</u>	<u>1,871,356</u>	<u>1,818,672</u>	<u>2,089,118</u>	<u>2,053,273</u>
Disbursements:								
Operating:								
Public safety	\$ 437,224	720,529	623,642	365,920	416,653	488,160	457,701	403,090
Public works	408,378	385,730	359,788	375,312	527,600	321,655	541,199	464,618
Health and social services	4,062	4,463	5,313	2,796	3,852	4,738	2,540	3,579
Culture and recreation	233,911	256,883	185,894	237,842	198,047	194,888	188,628	163,796
Community and economic development	250,821	183,223	4,462	1,050	945	610	1,969	12,770
General government	347,337	328,212	350,148	306,953	386,405	317,840	295,138	795,658
Debt service	355,650	359,467	641,057	654,458	612,543	519,410	666,540	401,926
Capital projects	2,661,986							
Total	<u>\$ 4,699,369</u>	<u>2,238,507</u>	<u>2,170,304</u>	<u>1,944,331</u>	<u>2,146,045</u>	<u>1,847,301</u>	<u>2,153,715</u>	<u>2,245,437</u>

See accompanying independent auditor's report.



**City of Wilton**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 25, 2010. Our report was modified to include a reference to another auditor. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Wilton Municipal Light and Power System, a discretely presented component unit, as described in our report on the City of Wilton's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters reported on separately by the other auditor.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Wilton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wilton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Wilton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and an other deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Wilton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

#### Compliance and Other Matters

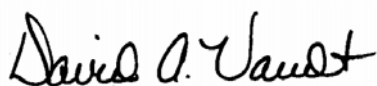
As part of obtaining reasonable assurance about whether the City of Wilton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

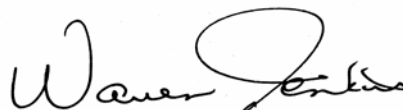
The City of Wilton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Wilton's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Wilton and other parties to whom the City of Wilton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Wilton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 25, 2010

City of Wilton

Schedule of Findings

Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Cash – prepares bank reconciliations, signs checks and records cash. There is no evidence of independent review of the bank reconciliations.
- (2) Receipts – prepares bank reconciliations and records receipts. There is no evidence of review of initial receipt listings and no evidence of review for correct coding after receipts are entered in the system.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will have the new City Administrator be more involved and assist with the reconciliation and review.

Conclusion – Response accepted.

- (B) Utility Reconciliations – Although listings of delinquent accounts are prepared each billing period, utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendations – Procedures should be established to reconcile utility billings, collections and delinquencies (at beginning and end of reconciling period) for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – The billing clerk has begun properly reconciling utility billings, collections and delinquencies.

Conclusion – Response accepted.

- (C) Electronic Data Processing Systems – During our review of internal control, existing control activities in the City's computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weakness in the City's computer based systems was noted:

The City does not have written policies for:

- Password privacy and confidentiality.
- Storing back-up tapes at an appropriate off-site location.

City of Wilton

Schedule of Findings

Year ended June 30, 2010

Although the City has a disaster recovery plan, the plan does not include identification of critical applications.

Recommendation – The City should review and modify the current disaster recovery plan to include a listing of the critical applications of the City. Additionally, the City should develop written policies addressing the above items to improve the City's control over computer based systems.

Response – Policies for the password and backups will be looked into to see what would be the best fit for the City. We will make plans to have the disaster plan updated to include the critical applications.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Wilton

Schedule of Findings

Year ended June 30, 2010

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, debt service, capital projects and business type activities functions prior to the June 14, 2010 budget amendment. At June 30, 2010, disbursements exceeded the amounts budgeted in the public safety and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This will be monitored more closely in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

All City employees are provided an annual clothing allowance, regardless of whether a specific type of clothing is required to perform their duties. The amount allowed is \$100 for office employees and \$300 for employees classified as City public works employees. During the year ended June 30, 2010, a total of \$2,485 was reimbursed to City office and public works employees for clothing purchases. In addition, these reimbursements were not processed through payroll and, accordingly, proper tax withholdings were not applied.

According to the Attorney General’s opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City should determine and document the public purpose served by providing a clothing allowance to City employees. If this practice is continued, the City should establish written policies and procedures establishing the public benefit, including the requirement for proper documentation.

Response – This recommendation will be taken to the Council for their advisement and possibly establish a policy.

Conclusion – Response acknowledged. The City should also ensure future reimbursements, if any, are properly processed through payroll.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Wilton

Schedule of Findings

Year ended June 30, 2010

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Richard L. Garrison, Mayor Pro tem, owner of Garrison's Garden Market and Greenhouse	Potting soil, mulch and grass seed	\$684

The above transactions do not appear to represent a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa since total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds and Note – The City's sewer revenue bond resolution, Section 6, and the water note resolution, Section 5, require the City to establish, impose, adjust and provide for the collection of rates to be charged to utility customers that produce net operating revenues equal to at least 110% of the principal and interest coming due in each fiscal year. The City's fiscal year 2010 net sewer operating revenues of (\$19,767) were less than 110% of the \$131,158 sewer revenue bond principal and interest due during fiscal year 2010. Additionally, the fiscal year 2010 net water operating revenues of \$96,314 were less than 110% of the \$91,551 of water revenue note principal and interest due during fiscal year 2010.

Recommendation – The City should review sewer and water rates and consult bond counsel to determine the disposition of this matter.

Response – The City will review the rates and operating costs to consider if rates need to be adjusted. Legal counsel will also be contacted, if needed.

Conclusion – Response accepted.

- (9) Employee Recognition – On December 14, 2009, the Council approved a \$25 expense allowance at a local market for all full time City employees for the purpose of employee recognition. The allowances were not processed through payroll and, accordingly, proper tax withholdings were not applied in accordance with Internal Revenue Service (IRS) guidelines.

Recommendation – The City should ensure all taxable income, including allowances for employee recognition, are properly processed through payroll as required.

City of Wilton

Schedule of Findings

Year ended June 30, 2010

Response – Council will be advised of this issue to determine how they wish to continue with this recognition.

Conclusion – Response acknowledged. The Council should also ensure all taxable income is properly processed through payroll in accordance with IRS guidelines.

- (10) Tax Increment Financing (TIF) Indebtedness Certification - Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF increment property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. The following were noted regarding Form 1 of the City's November 2009 Tax Increment Financing Indebtedness Certification to the County Auditor:
- a. The certification includes five debt issues totaling \$195,097 which appear to be debt which should have been certified to the County Auditor in the November 2006 certification and, accordingly, should not have been recertified in 2009.
  - b. The certification includes a \$90,000 economic development agreement which, pursuant to the agreement, requires each of the \$15,000 semi-annual payments be appropriated by the Council prior to payment. Until appropriated, the payments do not represent debt and, accordingly, should not have been certified as debt. At the time of the November 2009 certification, the Council had appropriated only \$35,000 in payments related to this agreement, resulting in an over certification of \$55,000.
  - c. The certification includes incorrect approval dates for five debt issues annually appropriated. The "Date Approved" for this type of debt should change on each certification and should be the date the Council appropriated the payment (thereby creating the debt). It appears the "Date Approved" used for these debt issues is the original date of the rebate agreement.

In addition, the City paid \$4,567 of legal fees directly from the Special Revenue, Urban Renewal Tax Increment Fund. Chapter 403.19(2) of the Code of Iowa states, in part, "That portion of the taxes each year . . . shall be allocated to and when collected be paid into a special fund of the municipality to pay the principal of and interest on loans, moneys advanced to, or indebtedness, whether funded, refunded, assumed, or otherwise, including bonds issued under the authority of section 403.9, subsection 1, incurred by the municipality to finance or refinance, in whole or in part, an urban renewal project within the area . . .". There is nothing in Chapter 403.19 which allows a municipality to use property tax divided for tax increment purposes for current or future urban renewal projects or legal expenses. These funds may only be used to retire debt.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications and the amount of TIF debt to be decertified, if any. In addition, the City should consult TIF legal counsel regarding the propriety of TIF disbursements to pay legal expenses. At a minimum, the Council should approve the obligation to pay the legal expenses as "debt" and certify the debt on the next TIF certification.



City of Wilton

Schedule of Findings

Year ended June 30, 2010

Response – The City has a meeting scheduled with the Muscatine County Auditor after the November elections. We will review amounts that have been certified and will compare them to the outstanding debt. If there has been any over certification we will discuss this with the County Auditor to see how to proceed. We will also not pay any legal expenses from the TIF fund.

Conclusion – Response accepted.

- (11) Library and Community Center Building Project – Chapter 26.12 of the Code of Iowa states, in part, “If the estimated total cost of a public improvement exceeds the competitive bid threshold in section 26.3, or as adjusted in section 314.1B, the governmental entity shall not enter into a contract for the public improvement until the governmental entity has held a public hearing and has approved the proposed plans, specifications, and form of contract, and estimated total cost of the public improvement.”

On November 23, 2009, the Council approved several contracts totaling approximately \$2.5 million related to a library and community center building project. The Council did not hold a public hearing or approve the plans, specifications and form of contract prior to entering into these contracts as required.

In addition, Chapter 26.3(2) of the Code of Iowa states, “A governmental entity shall have an engineer licensed under chapter 542B, a landscape architect licensed under chapter 544B, or an architect registered under chapter 544A prepare plans and specifications, and calculate the estimated total cost of a proposed public improvement.” No evidence was available to indicate the engineer preparing the plans and specifications was properly licensed in accordance with Chapter 23.3(2) of the Code of Iowa.

Recommendation – The City should comply with Chapter 26 of the Code of Iowa prior to entering into future construction contracts exceeding the competitive bid thresholds.

Response – The City will make a better effort to comply with the Code of Iowa for future projects.

Conclusion – Response accepted.

- (12) Special Pledge Revenue Loan Agreement Anticipation Project Note – On March 1, 2010, the City entered into a special pledge revenue loan agreement anticipation project note with Community Bank to borrow up to \$1,300,000 for the purpose of paying costs in connection with constructing, furnishing and equipping the City’s library and community center building project (project). The note is payable from future proceeds of an authorized loan agreement and corresponding issuance of special pledge revenue notes which are payable solely and only from future revenues pledged and collected by the Wilton Community Foundation, an organization legally separate from the City of Wilton. The City has not entered into a formal, legal agreement with the Wilton Community Foundation to ensure the pledged revenues collected by the Foundation will be made available to repay the City’s obligation under the special pledge revenue notes.

Recommendation – The City should consult legal counsel to determine the disposition of this matter and should enter into a formal agreement with the Wilton Community Foundation to ensure revenues pledged and collected by the Foundation will be made available to meet the City’s obligation under the Special Pledge Revenue Notes.

City of Wilton

Schedule of Findings

Year ended June 30, 2010

Response – The City will consult bond counsel on this matter.

Conclusion – Response accepted.

- (13) Debt Service Fund Balance – The Debt Service Fund had a balance of \$469,518 at June 30, 2010 which may be excessive when compared to the annual debt service requirements and the amounts levied annually to cover these requirements. The City appears to have been levying a debt service levy each year equal to the amount of principal and interest due during the budget year. However, the Debt Service Fund also collects interest and special assessment receipts available to help retire debt. These additional receipts should be considered when preparing the budget to help reduce the debt service levy.

Recommendation – The City should review the Debt Service Fund activity and balance and determine whether a future reduction in the debt service levy is appropriate to reduce the fund balance.

Response – The City will review the Debt Service Fund activity and balance.

Conclusion – Response accepted.

- (14) Financial Condition – The Enterprise, Electric Utility Sales Tax Fund had a deficit fund balance of \$14,265 at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – Only funds received from the Wilton Municipal Light and Power for their share of sales tax are receipted in and disbursed from the fund. The City Clerk will research the deficit which may have been caused by a posting error.


Conclusion – Response accepted.

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City of Wilton  
Staff

This audit was performed by:

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